

**REPORT OF THE AUDIT OF THE  
GRAVES COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2008**

*Romaine*  
and  
*Associates PLLC*

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CERTIFIED PUBLIC ACCOUNTANTS

**REPORT OF THE AUDIT OF THE  
GRAVES COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2008**

## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE GRAVES COUNTY FISCAL COURT**

**June 30, 2008**

Romaine & Associates, PLLC has completed the audit of the Graves County Fiscal Court for fiscal year ended June 30, 2008.

We have issued unqualified opinions on the governmental activities, each major fund, and the aggregate remaining fund information financial statements of Graves County, Kentucky. We have also issued an unqualified opinion on compliance with requirements applicable to Graves County Fiscal Court's major federal program: Community Development Block Grant (CFDA 14.228).

#### **Financial Condition:**

The fiscal court had total net assets of \$37,583,487 as of June 30, 2008. The fiscal court had unrestricted net assets of \$605,506 in its governmental activities as of June 30, 2008, with total net assets of \$37,544,547. In its business-type activities, total net cash and cash equivalents were \$38,940 with total net assets of \$38,940. The fiscal court had total debt principal as of June 30, 2008 of \$2,311,385 with \$566,816 due within the next year.

#### **Deposits:**

The Fiscal Court's deposits as of August 31, 2007 were exposed to custodial risk as follows:

- Uncollateralized and Uninsured \$773

The Fiscal Court's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the financial institution did not adequately collateralize the Fiscal Court's deposits in accordance with the security agreement.

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To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Tony Smith, Graves County Judge/Executive

Members of the Graves County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Graves County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Graves County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Graves County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Graves County, Kentucky, as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of the basic financial statement. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit the information and express no opinion on it.

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Tony Smith, Graves County Judge/Executive

Members of the Graves County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Graves County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and also not a required part of the basic financial statements. The combining fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated February 18, 2009 on our consideration of Graves County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

*Romaine & Associates, PLLC*

February 18, 2009

GRAVES COUNTY OFFICIALS

For The Year Ended June 30, 2008

**Fiscal Court Members:**

Tony Smith	County Judge/Executive
Romey Holmes	Magistrate
Charles Reeves	Magistrate
Jeffrey Howard	Magistrate

**Other Elected Officials:**

John Cunningham	County Attorney
Randy Haley	Jailer
Barry Kennemore	County Clerk
Nedra Hall	Circuit Court Clerk
John Davis	Sheriff
Howell Carr	Property Valuation Administrator
Phillip McClain	Coroner

**Appointed Personnel:**

Vicki McClain	County Treasurer
Codie Courtney	Finance Officer

**GRAVES COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2008**



**GRAVES COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

June 30, 2008

	Primary Government		
	Governmental	Business- Type	Totals
	Activities	Activities	
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 1,997,506	\$ 38,940	\$ 2,036,446
Assets Held For Resale	608,000		608,000
Total Current Assets	<u>2,605,506</u>	<u>38,940</u>	<u>2,644,446</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	276,270		276,270
Buildings	6,505,955		6,505,955
Vehicles and Equipment	783,066		783,066
Other Equipment	66,540		66,540
Infrastructure Assets - Net of Depreciation	<u>29,618,595</u>		<u>29,618,595</u>
Total Noncurrent Assets	<u>37,250,426</u>		<u>37,250,426</u>
Total Assets	<u>39,855,932</u>	<u>38,940</u>	<u>39,894,872</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Bonds Payable	310,000		310,000
Financing Obligations Payable	256,816		256,816
Total Current Liabilities	<u>566,816</u>		<u>566,816</u>
Noncurrent Liabilities:			
Bonds Payable	1,170,000		1,170,000
Financing Obligations Payable	574,569		574,569
Total Noncurrent Liabilities	<u>1,744,569</u>		<u>1,744,569</u>
Total Liabilities	<u>2,311,385</u>		<u>2,311,385</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	34,939,041		34,939,041
Restricted:			
Debt Service			
Unrestricted	<u>2,605,506</u>	<u>38,940</u>	<u>2,644,446</u>
Total Net Assets	<u>\$ 37,544,547</u>	<u>\$ 38,940</u>	<u>\$ 37,583,487</u>

The accompanying notes are an integral part of the financial statements.

**GRAVES COUNTY  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**

**GRAVES COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 7,157,278	\$ 20,912	\$ 97,765	\$ 5,381,928
Protection to Persons and Property	1,888,414	855,400	187,951	32,816
General Health and Sanitation	606,045			447,454
Social Services	22,600			
Recreation and Culture	84,920			
Airports	2,911			
Roads	4,338,975		316,374	1,646,104
Interest on Long-Term and Short-Term Debt	158,740			
Total Governmental Activities	14,259,883	876,312	602,090	7,508,302
Business-type Activities				
Jail Canteen	109,345	100,464		
Total Business-type Activities	109,345	100,464		
Total Primary Government	\$ 14,369,228	\$ 976,776	\$ 602,090	\$ 7,508,302

**General Revenues:**

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Other Taxes

In Lieu of Tax Payments

Excess Fees

Legal Process

Unrestricted Investment Earnings

Miscellaneous Revenues

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

GRAVES COUNTY  
 STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
 For The Year Ended June 30, 2008  
 (Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (1,656,673)	\$	\$ (1,656,673)
(812,247)		(812,247)
(158,591)		(158,591)
(22,600)		(22,600)
(84,920)		(84,920)
(2,911)		(2,911)
(2,376,497)		(2,376,497)
(158,740)		(158,740)
(5,273,179)		(5,273,179)
	(8,881)	(8,881)
	(8,881)	(8,881)
\$ (5,273,179)	\$ (8,881)	\$ (5,282,060)
\$ 1,311,615	\$	\$ 1,311,615
10,974		10,974
210,906		210,906
1,439,169		1,439,169
160,818		160,818
432,871		432,871
184		184
26,534	12	26,546
119,072		119,072
3,712,143	12	3,712,155
(1,561,036)	(8,869)	(1,569,905)
39,105,583	47,809	39,153,392
\$ 37,544,547	\$ 38,940	\$ 37,583,487

The accompanying notes are an integral part of the financial statements.

**GRAVES COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2008**

**GRAVES COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

June 30, 2008

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Industrial Development Fund</u>	<u>Jail Escrow Fund</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 909,055	\$ 118,656	\$ 4,426	\$ 790	\$ 480,720
Total Assets	<u>909,055</u>	<u>118,656</u>	<u>4,426</u>	<u>790</u>	<u>480,720</u>
<b>FUND BALANCES</b>					
Unreserved:					
General Fund	909,055				
Debt Service Fund					
Special Revenue Funds		118,656	4,426	790	480,720
Total Fund Balances	<u>\$ 909,055</u>	<u>\$ 118,656</u>	<u>\$ 4,426</u>	<u>\$ 790</u>	<u>\$ 480,720</u>

The accompanying notes are an integral part of the financial statements.

**GRAVES COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2008**  
**(Continued)**

<b>Building Commission Funds</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
<u>\$ 417,386</u>	<u>\$ 66,473</u>	<u>\$ 1,997,506</u>
<u>417,386</u>	<u>66,473</u>	<u>1,997,506</u>
		909,055
417,386		417,386
	66,473	671,065
<u>\$ 417,386</u>	<u>\$ 66,473</u>	<u>\$ 1,997,506</u>

**Reconciliation of The Balance Sheet-Governmental Funds to The Statement of Net Assets:**

Total Fund Balances	\$ 1,997,506
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Assets Held For Resale Are Not Financial Resources And Therefore	
Are Not Reported in the Funds	608,000
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds.	144,265,480
Accumulated Depreciation	(107,015,054)
Long-term debt is not due and payable in the current period and, therefore, is not	
reported in the funds.	
Due Within One Year - Bonds and Financing Obligation Principal	(566,816)
Due In More Than One Year - Bonds and Financing Obligation Principal	(1,744,569)
Total Fund Balances	<u>\$ 37,544,547</u>

The accompanying notes are an integral part of the financial statements.

**GRAVES COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**



**GRAVES COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

For The Year Ended June 30, 2008

	General Fund	Road Fund	Jail Fund	Industrial Development Fund
<b>REVENUES</b>				
Taxes	\$ 2,972,664	\$	\$	\$
In Lieu Tax Payments	160,818			
Excess Fees	432,871			
Licenses and Permits	19,262			
Intergovernmental	3,304,071	1,945,686	305,504	2,422,444
Charges for Services			25,146	
Miscellaneous	112,978	7,745	7,009	
Interest	3,689	4,990	23	
Total Revenues	<u>7,006,353</u>	<u>1,958,421</u>	<u>337,682</u>	<u>2,422,444</u>
<b>EXPENDITURES</b>				
General Government	3,470,283			1,982,500
Protection to Persons and Property	271,980		1,342,479	
General Health and Sanitation	606,045			
Social Services	22,600			
Recreation and Culture	99,000			
Airports	2,911			
Roads		2,141,326		
Debt Service		538,773		439,844
Administration	1,355,356	111,128	194,147	
Total Expenditures	<u>5,828,175</u>	<u>2,791,227</u>	<u>1,536,626</u>	<u>2,422,344</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>1,178,178</u>	<u>(832,806)</u>	<u>(1,198,944)</u>	<u>100</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds From Sale of Assets		533,988		
Transfers From Other Funds	600,000		1,203,000	
Transfers To Other Funds	(1,414,800)			
Total Other Financing Sources (Uses)	<u>(814,800)</u>	<u>533,988</u>	<u>1,203,000</u>	
Net Change in Fund Balances	363,378	(298,818)	4,056	100
Fund Balances - Beginning (Restated)	545,677	417,474	370	690
Fund Balances - Ending	<u>\$ 909,055</u>	<u>\$ 118,656</u>	<u>\$ 4,426</u>	<u>\$ 790</u>

The accompanying notes are an integral part of the financial statements.

**GRAVES COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2008**  
**(Continued)**

<u>Jail Escrow Fund</u>	<u>Building Commission Funds</u>	<u>Non- Major Funds</u>	<u>Total Governmental Funds</u>
\$	\$	\$	\$ 2,972,664
			160,818
			432,871
			19,262
693,365	233,632	29,118	8,933,820
			25,146
			127,732
2,744	14,833	255	26,534
<u>696,109</u>	<u>248,465</u>	<u>29,373</u>	<u>12,698,847</u>
			5,452,783
		275,643	1,890,102
			606,045
			22,600
			99,000
			2,911
			2,141,326
	390,775		1,369,392
		3,091	1,663,722
	<u>390,775</u>	<u>278,734</u>	<u>13,247,881</u>
<u>696,109</u>	<u>(142,310)</u>	<u>(249,361)</u>	<u>(549,034)</u>
			533,988
	154,802	265,800	2,223,602
<u>(808,802)</u>			<u>(2,223,602)</u>
<u>(808,802)</u>	<u>154,802</u>	<u>265,800</u>	<u>533,988</u>
(112,693)	12,492	16,439	(15,046)
593,413	404,894	50,034	2,012,552
<u>\$ 480,720</u>	<u>\$ 417,386</u>	<u>\$ 66,473</u>	<u>\$ 1,997,506</u>

The accompanying notes are an integral part of the financial statements.

**GRAVES COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**

**GRAVES COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**

Net Change in Fund Balances - Total Governmental Funds	\$ (15,046)
<p>Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital Outlay	962,464
Depreciation Expense	(3,740,306)
Assets held for resale, disposed of	(586,800)
Assets held for resale	608,000
<p>Proceeds from financing obligations are recorded as receipts in the Governmental Funds as a source of current financial resources. However, these transactions have no effect on the net assets.</p>	
<p>Financing obligations and bond principal payments are expensed in the Governmental Funds as a use of current financial resources. However, these transactions have no effect on net assets</p>	
Financing Obligations Principal Payment	910,652
Bond Payments	<u>300,000</u>
Change in Net Assets of Governmental Activities	<u>\$ (1,561,036)</u>

The accompanying notes are an integral part of the financial statements.

**GRAVES COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2008**

**GRAVES COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2008**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 38,940
Total Current Assets	<u>38,940</u>
 Total Assets	 <u>38,940</u>
 <b>Net Assets</b>	
Unrestricted	38,940
Total Net Assets	<u><u>\$ 38,940</u></u>

. The accompanying notes are an integral part of the financial statements

**GRAVES COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**

**GRAVES COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Operating Revenues</b>	
Canteen Receipts	\$ 100,464
Total Operating Revenues	<u>100,464</u>
<b>Operating Expenses</b>	
Commissary Supplies	50,245
Educational and Recreational	10,323
Miscellaneous	<u>5,714</u>
Total Operating Expenses	<u>66,282</u>
Operating Income (Loss)	<u>34,182</u>
<b>Nonoperating Revenues (Expenses)</b>	
Interest Income	12
Room and Board	(32,578)
Inmate Refunds	<u>(10,485)</u>
Total Nonoperating Revenues (Expenses)	<u>(43,051)</u>
Change In Net Assets	(8,869)
Total Net Assets - Beginning	<u>47,809</u>
Total Net Assets - Ending	<u><u>\$ 38,940</u></u>

The accompanying notes are an integral part of the financial statements



**GRAVES COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**

**GRAVES COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

For The Year Ended June 30, 2008

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
<b>Cash Flows From Operating Activities</b>	
Receipts From Customers	\$ 100,464
Educational and Recreational	(10,323)
Commissary Supplies	(50,245)
Miscellaneous	(5,714)
Net Cash Provided By Operating Activities	<u>34,182</u>
<b>Cash Flows From Noncapital Financing Activities</b>	
Room and Board	(32,578)
Inmate Refunds on Accounts	(10,485)
Net Cash Provided By Noncapital Financing Activities	<u>(43,063)</u>
<b>Cash Flows From Investing Activities</b>	
Interest Earned	<u>12</u>
Net Cash Provided By Investing Activities	<u>12</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(8,869)
Cash and Cash Equivalents - July 1	<u>47,809</u>
Cash and Cash Equivalents - June 30	<u><u>\$ 38,940</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>	
Operating Income (Loss)	<u>\$ 34,182</u>
Net Cash Provided By Operating Activities	<u><u>\$ 34,182</u></u>

The accompanying notes are an integral part of the financial statements

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TO THE FINANCIAL STATEMENTS**

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**GRAVES COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Graves County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government.

**Blended Component Unit**

The following legally separate organizations provide their services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method.

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Blended Component Unit (Continued)

Graves County Building Commission Fund

This fund accounts for the debt service requirements of refunding bonds of the County as a Debt Service Fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest. The Department for Local Government does not require the County to report or budget these funds. However, the County decided to include the Building Commission Fund as part of the primary government as a blended component unit of the county.

**C. Graves County Elected Officials Not Part Of Graves County, Kentucky**

Kentucky law provides for election of the officials below from the geographic area constituting Graves County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Graves County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs. The County has no fiduciary funds.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

The primary government reports the following major governmental funds:

**General Fund** - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

**Road Fund** - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**Jail Fund** - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**Jail Escrow Fund** - The purpose of this fund is to account for debt service requirements of general obligation bonds of the fiscal court.

**Building Commission Fund** - The purpose of this fund is to account for debt service payments for the Courthouse renovation and Jail renovation projects for 1996. The Department for Local Government does not require the fiscal court to report or budget these funds.

**Industrial Development Fund** - The purpose of this fund is to account for industrial development activities within the county.

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Disaster and Emergency Services Fund, Adult and Juvenile Housing Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Jail Escrow Fund, Local Government Economic Assistance Fund, Disaster and Emergency Fund, Adult and Juvenile Housing Fund, and the Industrial Development Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Funds:

The Graves County Building Commission Fund is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3<sup>rd</sup> Saturday in April following the delinquency date.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary fund:

Jail Canteen Fund – The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Deposits**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings and Building Improvements	50,000	10-75
Machinery and Equipment	5,000	3-25
Vehicles	5,000	3-25
Infrastructure	25,000	10-50



**Note 1. Summary of Significant Accounting Policies (Continued)**

**G. Long-term Obligations**

In the government-wide financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The State Local Officer does not require the Jail Canteen Fund or the Building Commission Fund to be budgeted.

**Note 1. Summary of Significant Accounting Policies (Continued)**

**J. Related Organizations and Joint Ventures**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Graves County Fiscal Court: Consumers Water District, South Graves Water District, Hickory Water District, Hardeman Water District, Fancy Farm Water District, and Symsonia Water District.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following is considered a joint venture of the Graves County Fiscal Court: Mayfield-Graves County Parks and Recreation, Mayfield-Graves County Ambulance Service, Mayfield-Graves County Senior Citizens, Graves Growth Alliance, Inc., and Purchase Area Regional Industrial Authority.

**Mayfield-Graves County Parks and Recreation**

The Graves County Fiscal Court (Fiscal Court) has retained an ongoing financial responsibility for the Mayfield-Graves County Parks and Recreation. The Mayfield-Graves County Parks and Recreation is a joint venture between Fiscal Court and the City of Mayfield "to provide a centralized recreational facilities" within the county and the city. The Fiscal Court and the City of Mayfield are each responsible for fifty percent of the basic administration included in the budget of the Mayfield-Graves County Parks and Recreation. During the fiscal year 2008, the Fiscal Court paid the Mayfield-Graves County Parks and Recreation \$90,000.

**Mayfield-Graves County Ambulance Service**

The Graves County Fiscal Court (Fiscal Court) has retained an ongoing financial responsibility for the Mayfield-Graves County Ambulance Service. The Mayfield-Graves County Ambulance Service is a joint venture between Fiscal Court and the City of Mayfield "to provide medical services" within the county and city. The Fiscal Court and the City of Mayfield are each responsible for fifty percent of the basic administration included in the budget of the Mayfield-Graves County Ambulance Service.

**Mayfield-Graves County Senior Citizens**

The Graves County Fiscal Court (Fiscal Court) has retained an ongoing financial responsibility for the Mayfield-Graves County Senior Citizens. The Mayfield-Graves County Senior Citizens is a joint venture between the Fiscal Court and the City of Mayfield "to provide a centralized recreational facilities for the elderly" within the county and the city. The Fiscal Court and the City of Mayfield are each responsible for fifty percent of the basic administration included in the budget of the Mayfield-Graves County Senior Citizens. During the fiscal year 2008, the Fiscal Court paid the Mayfield-Graves County Senior Citizens \$7,500.

**Graves Growth Alliance, Inc.**

The Graves County Fiscal Court (Fiscal Court) has retained an ongoing financial responsibility for the Graves Growth Alliance, Inc. The Graves Growth Alliance, Inc. is a joint venture between the Fiscal Court and the City of Mayfield. The Fiscal Court and the City of Mayfield are each responsible for fifty percent of the basic administration included in the budget of the Graves Growth Alliance, Inc.

**Note 1. Summary of Significant Accounting Policies (Continued)**

**Purchase Area Regional Industrial Authority**

The Graves County Fiscal Court (Fiscal Court) has retained an ongoing financial responsibility for the Purchase Area Regional Industrial Authority. The Purchase Area Regional Industrial Authority is a joint venture between the Fiscal Court and the City of Mayfield "for the purpose of acquiring and developing land and marketing sites to stimulate and promote economic development in the county". The Fiscal Court and the City of Mayfield are each responsible for fifty percent of the basic administration included in the budget of the Purchase Area Regional Industrial Authority.

**Note 2. Deposits**

The county maintains deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. Graves County Fiscal Court does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). These requirements were met, however, as of August 31, 2007, the collateral and FDIC insurance together did not equal or exceed the amount on deposit leaving \$773 of the bank balance of \$2,453,731 exposed to custodial credit risk as follows:

- Uninsured and unsecured, August 31, 2007 - \$773

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 276,270	\$	\$	\$ 276,270
Total Capital Assets Not Being Depreciated	276,270			276,270
Capital Assets, Being Depreciated:				
Buildings	12,900,300			12,900,300
Infrastructure	128,012,290	715,139		128,727,429
Vehicles and Equipment	1,807,572	247,325		2,054,897
Other Equipment	306,584			306,584
Total Capital Assets Being Depreciated	143,026,746	962,464		143,989,210
Less Accumulated Depreciation For:				
Buildings	(6,247,014)	(147,331)		(6,394,345)
Infrastructure	(95,664,736)	(3,444,098)		(99,108,834)
Vehicles and Equipment	(1,137,945)	(133,886)		(1,271,831)
Other Equipment	(225,053)	(14,991)		(240,044)
Total Accumulated Depreciation	(103,274,748)	(3,740,306)		(107,015,054)
Total Capital Assets, Being Depreciated, Net	39,751,998	(2,777,842)		36,974,156
Governmental Activities Capital Assets, Net	\$ 40,028,268	\$ (2,777,842)	\$ 0	\$ 37,250,426

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 78,248
Protection to Persons and Property	96,662
Recreation and Culture	75,920
Roads, Including Depreciation of General Infrastructure Assets	3,489,476
Total Depreciation Expense - Governmental Activities	<u>\$ 3,740,306</u>

**Note 4. Short-Term Debt**

Road Fund

During the fiscal year ending June 30, 2007, Graves County entered into a \$488,050 financing obligation agreement with the Kentucky Area Development District Financing Trust (KADD) for the purchase of six trucks for the road department. This agreement was paid in full during the 2008 fiscal year.

Changes in Short-Term Debt

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities:				
KADD	\$ 488,050	\$ -	\$ 488,050	\$ -
Governmental Activities Long-term Liabilities	<u>\$ 488,050</u>	<u>\$ 0</u>	<u>\$ 488,050</u>	<u>\$ 0</u>

**Note 5. Long-Term Debt**

**A. Courthouse Facility First Mortgage Revenue Bonds, Series 1996A**

On December 1, 1996 the Graves County Building Commission issued first mortgage refunding revenue bonds, series 1996A in the amount of \$2,555,000 for the purpose of discharging the outstanding bond series 1990 and 1991 Court Facilities Project. The Kentucky Administrative Office of the Courts (AOC) agreed to pay \$233,000 annually for the principal and interest of these bonds directly to the paying agent. If the Payment from AOC is not sufficient to meet the principal and interest requirements of the bonds, the county is liable of the remainder.

Bond principal and interest requirements as of June 30, 2008 are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 175,000	\$ 49,005
2010	185,000	40,343
2011	195,000	31,185
2012	<u>435,000</u>	<u>21,533</u>
Totals	<u>\$ 990,000</u>	<u>\$ 142,066</u>

**Note 5. Long-Term Debt –(Continued)**

**B. Detention Facility First Mortgage Revenue Bonds, Series 1996B**

On December 1, 1996 the Graves County Building Commission issued first mortgage refunding revenue bonds, series 1996B in the amount of \$1,700,000 for the purpose of discharging the outstanding bond series 1991 Detention Facilities Project. The Graves County Building Commission and Graves County have entered into an annually renewable lease, dated December 1, 1996, wherein Graves County will lease from the Graves County Building Commission the project and project site, at an agreed rental, the proceeds of which will be used to pay principal and interest on the bonds.

Bond principal and interest requirements as of June 30, 2008 are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 135,000	\$ 24,990
2010	140,000	18,105
2011	145,000	10,965
2012	70,000	3,570
Totals	<u>\$ 490,000</u>	<u>\$ 57,630</u>

**C. Wastewater Treatment Facility**

On February 1, 1990, the Graves County Fiscal Court entered into an agreement with the Kentucky Infrastructure Authority (KIA) in order to construct a wastewater treatment facility for Pilgrim's Pride (formerly known as Seaboard Farms, Inc.). The Graves County Fiscal Court also entered in to an agreement with Pilgrim's Pride for rental payments equal to the loan payments. However, if the rental payments from Pilgrim's Pride are not sufficient to pay loan payments, the Graves County Fiscal Court is liable.

Bond principal and interest requirements as of June 30, 2008 are:

Fiscal Year Ended June 30	Governmental Activites	
	Principal	Interest
2009	\$ 236,331	\$ 25,003
2010	244,675	16,182
2011	253,314	7,049
Totals	<u>\$ 734,320</u>	<u>\$ 48,234</u>

**Note 5. Long-Term Debt --(Continued)**

**D. Wastewater Treatment Facility**

On December 1, 1995, the Graves County Fiscal Court entered into an agreement with the Kentucky Infrastructure Authority (KIA) in order to construct a wastewater treatment facility for Recycled Paper Shavings, Inc. The Graves County Fiscal Court also entered in to an agreement with Recycled Paper Shavings, Inc. for rental payments equal to the loan payments. However, if the rental payments from Recycled Paper Shavings, Inc. are not sufficient to pay loan payments, the Graves County Fiscal Court is liable. As of June 30, 2008, the agreement was retired.

**E. Excavator**

On October 10, 2005, the Graves County Fiscal Court entered into a \$175,725 lease agreement at a rate of 5.25 percent to purchase a road excavator for the road department. The principal balance as of June 30, 2008 is \$97,065.

Future principal and interest requirements as of June 30, 2008 are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2009	\$ 20,485	\$ 4,608
2010	21,587	3,506
2011	22,748	2,345
2012	23,972	1,121
2013	8,273	91
Totals	<u>\$ 97,065</u>	<u>\$ 11,671</u>

**F. Changes in Long-Term Debt**

Long-term liability activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
Revenue Refunding Bonds	\$ 1,780,000	\$	\$ 300,000	\$ 1,480,000	\$ 310,000
Financing Obligations	<u>1,253,987</u>		<u>422,602</u>	<u>831,385</u>	<u>256,816</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 3,033,987</u>	<u>\$</u>	<u>\$ 722,602</u>	<u>\$ 2,311,385</u>	<u>\$ 566,816</u>

Interest on Short-Term and Long-Term Debt

Interest on Long-Term Debt on the Statement of Activities includes \$67,965 in interest on financing obligations and \$90,775 in interest on bond payments.

**Note 6. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.17 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 33.87 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**Note 7. Deferred Compensation**

For the fiscal year ended June 30, 2008, the Graves County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**Note 8. Insurance**

For the fiscal year ended June 30, 2008, Graves County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.



**Note 9. Prior Period Adjustments**

The General Fund balance of \$545,677 has been adjusted to exclude \$42,593 of prior year payroll funds. The beginning Net Assets in the Statement of Activities of \$39,105,583 was also adjusted to exclude \$42,593 of prior period payroll funds. The payroll funds were excluded for the fiscal year 2008 due to the fact that the payroll fund account balance was below the individual significant item at June 30, 2008.

**Note 10. Conduit Bond Issue**

During the fiscal year ended June 30, 2006, Graves County along with TLC Lighting, Inc. issued a conduit bond for industrial development. Graves County is not liable for the repayment of this bond issue.

**Note 11. Subsequent Events**

Pilgrims Pride Corporation filed chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") dated December 1, 2008. The Graves County Attorney has filed the appropriate claims.

Graves County was declared a national disaster area January 28, 2009 due a winter ice storm. Federal agencies are refunding 75% of relief disaster funds, with the county liable for the remaining 25%. At this time, total expenditures are a work in progress and the county is unaware of their liability.

**Note 12. Assets Held For Sale**

Assets held for resale activity for the year ended June 30, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Assets Held For Resale:				
Vehicles	\$ -	\$ 608,000	\$ -	\$ 608,000
Governmental Activities				
Long-term Liabilities	\$ -	\$ 608,000	\$ 0	\$ 608,000

**GRAVES COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2008**

**GRAVES COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**

**For The Year Ended June 30, 2008**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 2,530,000	\$ 2,955,500	\$ 2,972,664	\$ 17,164
In Lieu Tax Payments	110,000	161,000	160,818	(182)
Excess Fees	314,477	433,077	432,871	(206)
Licenses and Permits	89,500	89,600	19,262	(70,338)
Intergovernmental Revenue	120,900	3,284,100	3,304,071	19,971
Miscellaneous	71,800	199,300	112,978	(86,322)
Interest	500	1,200	3,689	2,489
Total Revenues	<u>3,237,177</u>	<u>7,123,777</u>	<u>7,006,353</u>	<u>(117,425)</u>
<b>EXPENDITURES</b>				
General Government	798,541	990,463	3,470,283	(2,479,820)
Protection to Persons and Property	169,211	308,311	271,980	36,331
General Health and Sanitation	49,000	49,050	606,045	(556,995)
Social Services	11,200	216,700	22,600	194,100
Recreation and Culture	149,000	149,000	99,000	
Airports	15,000	15,000	2,911	12,089
Capital Projects	272,645	2,864,145		2,864,145
Administration	949,297	1,847,825	1,355,356	492,469
Total Expenditures	<u>2,413,894</u>	<u>6,440,494</u>	<u>5,828,175</u>	<u>562,319</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>823,283</u>	<u>683,283</u>	<u>1,178,178</u>	<u>494,895</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	1,121,380	1,121,380	600,000	(521,380)
Transfers To Other Funds	(2,344,663)	(2,344,663)	(1,414,800)	929,863
Total Other Financing Sources (Uses)	<u>(1,223,283)</u>	<u>(1,223,283)</u>	<u>(814,800)</u>	<u>408,483</u>
Net Changes in Fund Balance	(400,000)	(540,000)	363,378	903,378
Fund Balance - Beginning (restated)	<u>400,000</u>	<u>540,000</u>	<u>545,677</u>	<u>5,677</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 909,055</u>	<u>\$ 909,055</u>

GRAVES COUNTY  
 BUDGETARY COMPARISON SCHEDULES  
 Required Supplementary Information - Modified Cash Basis  
 For The Year Ended June 30, 2008  
 (Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 1,543,372	\$ 1,950,372	\$ 1,945,686	\$ (4,686)
Miscellaneous	200	542,200	7,745	(534,455)
Interest			4,990	4,990
Total Revenues	<u>1,543,572</u>	<u>2,492,572</u>	<u>1,958,421</u>	<u>(534,151)</u>
<b>EXPENDITURES</b>				
Roads	2,463,518	2,463,518	2,141,326	322,192
Debt Service	44,000	44,000	538,773	(494,773)
Administration	115,000	1,329,000	111,128	1,217,872
Total Expenditures	<u>2,622,518</u>	<u>3,836,518</u>	<u>2,791,227</u>	<u>1,045,291</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,078,946)</u>	<u>(1,343,946)</u>	<u>(832,806)</u>	<u>511,140</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds From Sale of Assets			533,988	533,988
Transfers From Other Funds	989,646	989,646		(989,646)
Total Other Financing Sources (Uses)	<u>989,646</u>	<u>989,646</u>	<u>533,988</u>	<u>(455,658)</u>
Net Changes in Fund Balance	(89,300)	(354,300)	(298,818)	55,482
Fund Balance - Beginning	<u>89,300</u>	<u>354,300</u>	<u>417,474</u>	<u>63,174</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 118,656</u>	<u>\$ 118,656</u>

**GRAVES COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2008**  
**(Continued)**

<b>JAIL FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 261,061	\$ 291,561	\$ 305,504	\$ 13,943
Charges for Services	16,000	24,500	25,146	646
Miscellaneous	6,000	7,000	7,009	9
Interest			23	23
Total Revenues	<u>283,061</u>	<u>323,061</u>	<u>337,682</u>	<u>14,621</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	1,192,078	1,360,278	1,342,479	(17,799)
Administration	204,000	76,200	194,147	117,947
Total Expenditures	<u>1,396,078</u>	<u>1,436,478</u>	<u>1,536,626</u>	<u>100,148</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,113,017)</u>	<u>(1,113,417)</u>	<u>(1,198,944)</u>	<u>(85,527)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	1,113,017	1,113,017	1,203,000	89,983
Total Other Financing Sources (Uses)	<u>1,113,017</u>	<u>1,113,017</u>	<u>1,203,000</u>	<u>89,983</u>
Net Changes in Fund Balance		(400)	4,056	4,456
Fund Balance - Beginning		<u>400</u>	<u>370</u>	<u>(30)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,426</u>	<u>\$ 4,426</u>

**GRAVES COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2008**

<b>JAIL ESCROW FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 600,000	\$ 694,000	\$ 693,365	\$ (635)
Interest		1,000	2,744	1,744
Total Revenues	600,000	695,000	696,109	1,109
<b>EXPENDITURES</b>				
Debt Service	161,620	161,620		161,620
Administration		95,000		95,000
Total Expenditures	161,620	256,620		256,620
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	438,380	438,380	696,109	257,729
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds	(1,121,380)	(1,121,380)	(808,802)	312,578
Total Other Financing Sources (Uses)	(1,121,380)	(1,121,380)	(808,802)	312,578
Net Changes in Fund Balances	(683,000)	(683,000)	(112,693)	570,307
Fund Balances - Beginning	683,000	683,000	593,413	(89,587)
Fund Balances - Ending	\$ 0	\$ 0	\$ 480,720	\$ 480,720

**GRAVES COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2008**

<b>INDUSTRIAL DEVELOPMENT FUND</b>			
	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original	Final	
<b>REVENUES</b>			
Intergovernmental	\$	\$	\$ 2,422,444
Miscellaneous	315,380	2,422,380	(2,422,380)
Total Revenues	315,380	2,422,380	64
<b>EXPENDITURES</b>			
General Government			1,982,500
Debt Service			439,844
Capital Projects	315,380	2,422,380	2,422,380
Total Expenditures	315,380	2,422,380	36
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)			100
Net Changes in Fund Balances			100
Fund Balances - Beginning			690
Fund Balances - Ending	\$ 0	\$ 0	\$ 790

**GRAVES COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2008**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. Formal budgets are not adopted for the Industrial Development Authority.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The County has not formally adopted a budget for the Building Commission Fund, a major special revenue fund. The Department for Local Government does not require this fund to be budgeted.



**GRAVES COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2008**

**GRAVES COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

June 30, 2008

	<u>LGEA</u> <u>Fund</u>	<u>DES</u> <u>Fund</u>	<u>Juvenile</u> <u>Detention</u> <u>Fund</u>	<u>Total</u> <u>Non-Major</u> <u>Governmental</u> <u>Funds</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 63,541	\$ 2,626	\$ 306	\$ 66,473
Total Assets	<u>63,541</u>	<u>2,626</u>	<u>306</u>	<u>66,473</u>
<b>FUND BALANCES</b>				
Unreserved:				
Special Revenue Funds	<u>63,541</u>	<u>2,626</u>	<u>306</u>	<u>66,473</u>
Total Fund Balances	<u>\$ 63,541</u>	<u>\$ 2,626</u>	<u>\$ 306</u>	<u>\$ 66,473</u>

**GRAVES COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2008**

**GRAVES COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

For The Year Ended June 30, 2008

	LGEA Fund	DES Fund	Juvenile Detention Fund	Total Non-Major Governmental Funds
<b>REVENUES</b>				
Intergovernmental	\$ 16,792	\$ 12,326	\$	\$ 29,118
Interest	223	12	20	255
Total Revenues	<u>17,015</u>	<u>12,338</u>	<u>20</u>	<u>29,373</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property		13,356	262,287	275,643
Administration		2,912	179	3,091
Total Expenditures		<u>16,268</u>	<u>262,466</u>	<u>278,734</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>17,015</u>	<u>(3,930)</u>	<u>(262,446)</u>	<u>(249,361)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers From Other Funds		3,400	262,400	265,800
Total Other Financing Sources (Uses)		<u>3,400</u>	<u>262,400</u>	<u>265,800</u>
Net Change in Fund Balances	17,015	(530)	(46)	16,439
Fund Balances - Beginning	46,526	3,156	352	50,034
Fund Balances - Ending	<u>\$ 63,541</u>	<u>\$ 2,626</u>	<u>\$ 306</u>	<u>\$ 66,473</u>

**GRAVES COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For The Year Ended June 30, 2008**

**GRAVES COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For The Year Ended June 30, 2008**

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
Office of Community Planning and Development Community Development Block Grant State-Administered Small Cities Program (14.228)	06-069	\$ 1,982,500
Department of Homeland Security State Domestic Preparedness Equipment Support Program (97.004)		32,817
Department of Homeland Security Emergency Management Performance Grant (97.042)		<u>7,326</u>
Total Cash Expenditures of Federal Awards		<u><u>\$ 2,022,643</u></u>

**GRAVES COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Fiscal Year Ended June 30, 2008**

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Graves County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

**GRAVES COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For The Year Ended June 30, 2008**



**GRAVES COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Fiscal Year Ended June 30, 2008**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of Graves County, Kentucky.
2. No reportable conditions relating to the internal control of the audit of the financial statements were reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Graves County were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Graves County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Graves County.
7. The program tested as a major program was the Community Development Block Grant (14.228).
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Graves County was not determined to be a low-risk auditee.

**B. FINDINGS AND QUESTIONED COSTS – BASIC FINANCIAL STATEMENT AUDIT**

None

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None

**D. PRIOR YEAR FINDINGS**

None

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Tony Smith, Graves County Judge/Executive  
Members of the Graves County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Graves County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 18, 2009. Graves County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Graves County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Graves County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Graves County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Graves County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Graves County Fiscal Court and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

*Romaine & Associates, PLLC*  
Romaine & Associates, PLLC

February 18, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Tony Smith, Graves County Judge/Executive  
Members of the Graves County Fiscal Court

Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Graves County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Graves County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Graves County's management. Our responsibility is to express an opinion on Graves County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Graves County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Graves County's compliance with those requirements.

In our opinion, Graves County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Graves County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Graves County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Graves County's internal control over compliance.

Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133  
(Continued)

Internal Control Over Compliance – (Continued)

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that a noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, the Department for Local Government, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

*Romaine & Associates, PLLC*

February 18, 2009

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**GRAVES COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2008**

Appendix A



CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
GRAVES COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2008

The Graves County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statues.



\_\_\_\_\_  
Name

County Judge/ Executive



\_\_\_\_\_  
Name

County Treasurer